



Senate

General Assembly

File No. 629

February Session, 2012

Substitute Senate Bill No. 405

Senate, May 3, 2012

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING TARGETED HEALTH AREAS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective from passage*) (a) On or after October 1,
2 2012, the Commissioner of Economic and Community Development,
3 in consultation with the Commissioners of Public Health and Social
4 Services, and a representative designated by the Connecticut State
5 Medical Society shall, within available resources, designate as targeted
6 health areas not more than ten municipalities that have (1) a medically-
7 underserved population, or (2) a population with a high rate of chronic
8 disease. Said commissioners and representative shall identify any
9 needed medical specialty in any municipality designated as a targeted
10 health area.

11 (b) Not later than October 1, 2017, and annually thereafter, the
12 Commissioner of Economic and Community Development, in
13 consultation with the Commissioners of Public Health and Social
14 Services, shall evaluate whether any municipality designated as a

15 targeted health area pursuant to subsection (a) of this section still
16 meets the criteria for such designation. The Commissioner of Economic
17 and Community Development may remove the designation of any
18 municipality that no longer meets the criteria for such designation,
19 provided no such designation shall be removed less than five years
20 after the original date of the municipality's designation as a targeted
21 health area.

22 Sec. 2. (NEW) (*Effective October 1, 2012*) (a) There is established
23 within the Department of Economic and Community Development the
24 Targeted Health Area program. Said program shall provide licensed
25 physicians and physician offices providing primary care services or
26 any needed medical specialty identified pursuant to section 1 of this
27 act, with various forms of financial assistance, using a streamlined
28 application process to expedite the delivery of such assistance. A
29 licensed physician shall be eligible for assistance through said program
30 if, as of the effective date of this section, such physician: (1) Is engaged
31 in the active practice of primary care for adults or children or any
32 needed medical specialty identified pursuant to section 1 of this act,
33 and (2) practices in a municipality designated as a targeted health area
34 pursuant to section 1 of this act. A physician office providing primary
35 care services shall be eligible for assistance through said program if, as
36 of the effective date of this section, such office: (A) Provides primary
37 care services to adults or children or any needed medical specialty
38 identified pursuant to section 1 of this act, (B) is located in an area
39 designated as a targeted health area pursuant to section 1 of this act,
40 and (C) is in good standing with the payment of all state and local
41 taxes and with all state agencies.

42 (b) The Targeted Health Area program shall consist of various
43 components, including (1) a revolving loan fund, as described in
44 subsection (d) of this section, to support licensed physicians and
45 physician offices providing primary care services or any needed
46 medical specialty identified pursuant to section 1 of this act, (2) a
47 licensed physician hiring incentive component, as described in
48 subsection (e) of this section, to support the hiring of licensed

49 physicians by physician offices providing primary care services, or any
50 needed medical specialty identified pursuant to section 1 of this act,
51 and (3) a matching grant component, as described in subsection (f) of
52 this section, to provide capital to licensed physicians or physician
53 offices providing primary care services that can match the state grant
54 amount. The Commissioner of Economic and Community
55 Development shall work with eligible licensed physicians and
56 physician offices providing primary care services or any needed
57 medical specialty identified pursuant to section 1 of this act, to provide
58 a package of assistance using not only the financial assistance provided
59 by the Targeted Health Area program, but also any other appropriate
60 tax credit or state program. Notwithstanding the provisions of section
61 32-5a of the general statutes, regarding relocation limits, the
62 department may require as a condition of receiving financial assistance
63 pursuant to this section, that a licensed physician or physician office
64 providing primary care services or any needed medical specialty
65 identified pursuant to section 1 of this act receiving such assistance
66 shall not relocate, as defined in said section 32-5a, for five years after
67 receiving such assistance. All other conditions and penalties imposed
68 pursuant to said section 32-5a shall continue to apply to such licensed
69 physician or physician office.

70 (c) The commissioner, in consultation with the officers of the
71 Connecticut State Medical Society, shall establish a streamlined
72 application process for the Targeted Health Area program. The
73 licensed physician or physician office providing primary care services
74 or any needed medical specialty identified pursuant to section 1 of this
75 act may receive assistance pursuant to said program not later than
76 thirty days after submitting a completed application to the
77 department. Any such licensed physician or physician office, which
78 meets the eligibility criteria in subsection (a) of this section, may apply
79 to said program. The commissioner shall give priority for available
80 funding to such licensed physicians and physician office in a manner
81 that best addresses the health needs of the targeted health areas.

82 (d) (1) There is established as part of the Targeted Health Area

83 program a revolving loan fund to provide loans to licensed physicians
84 and physician offices providing primary care services or any needed
85 medical specialty identified pursuant to section 1 of this act. Such loans
86 shall be used for acquisition of medical equipment, construction or
87 leasehold improvements, working capital or other business-related
88 expenses, as authorized by the commissioner.

89 (2) Loans from the revolving loan fund may be in amounts from ten
90 thousand dollars to a maximum of one hundred thousand dollars,
91 shall carry a maximum repayment rate of four per cent and shall be for
92 a term of not more than ten years. The department shall review and
93 approve loan terms, conditions and collateral requirements in a
94 manner that best addresses the health needs of the targeted health
95 areas.

96 (3) Any such licensed physician or physician office meeting the
97 eligibility criteria in subsection (a) of this section may apply for
98 assistance from the revolving loan fund, but the commissioner shall
99 give priority to such licensed physicians or physician offices that best
100 address the health needs of the targeted health areas.

101 (e) (1) There is established as part of the Targeted Health Area
102 program a licensed physician hiring incentive component to provide
103 loans for hiring licensed physicians for physician offices providing
104 primary care services or any needed medical specialty identified
105 pursuant to section 1 of this act meeting the eligibility criteria in
106 subsection (a) of this section, with the option of loan forgiveness based
107 on the retention of any licensed physician hired and retained for not
108 less than twelve consecutive months. Such loans may be used for
109 training, marketing, working capital or other expenses, as approved by
110 the commissioner, that support hiring such licensed physician.

111 (2) Loans under the licensed physician hiring incentive component
112 may be in amounts from ten thousand dollars to a maximum of two
113 hundred fifty thousand dollars. Payments on such loans may be
114 deferred, and all or part of any such loan may be forgiven, based upon
115 the commissioner's assessment of the physician office's attainment of

116 hiring goals. The department shall review and approve loan terms,
117 conditions and collateral requirements in a manner that prioritizes
118 hiring licensed physicians that best address the health needs of the
119 targeted health areas.

120 (f) (1) There is established as part of the Targeted Health Area
121 program a matching grant component to provide grants for capital to
122 physician offices providing primary care services or any needed
123 medical specialty identified pursuant to section 1 of this act meeting
124 the eligibility criteria in subsection (a) of this section. Such physician
125 offices shall match any state funds awarded under this program. Grant
126 funds may be used for ongoing or new training, working capital,
127 acquisition of medical equipment, construction or leasehold
128 improvements or other business-related expenses authorized by the
129 commissioner.

130 (2) Matching grants provided under the matching grant component
131 may be in amounts from ten thousand dollars to a maximum of one
132 hundred thousand dollars. The commissioner shall prioritize
133 applicants for matching grants in a manner that best address the health
134 needs of the applicant's targeted health area.

135 (g) Not later than June 30, 2013, and every six months thereafter, the
136 commissioner shall provide a report, in accordance with the provisions
137 of section 11-4a of the general statutes, to the joint standing committees
138 of the General Assembly having cognizance of matters relating to
139 finance, revenue and bonding, appropriations, commerce, public
140 health and human services. Such report shall include available data on
141 (1) the number of licensed physicians or physician offices providing
142 primary care services or any needed medical specialty identified
143 pursuant to section 1 of this act that applied to the Targeted Health
144 Area program, (2) the number of such licensed physicians or physician
145 offices that received assistance under said program, (3) the amounts
146 and types of assistance provided, and (4) the total number of licensed
147 physicians employed at such physician offices on the date of
148 application and the number proposed to be hired, if any. The contents

149 of such report shall also be included in the department's annual report.

This act shall take effect as follows and shall amend the following sections:		
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Section 1	<i>from passage</i>	New section
Sec. 2	<i>October 1, 2012</i>	New section

FIN *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 13 \$	FY 14 \$
Department of Economic & Community Development	GF - Cost	28,556	38,077
State Comptroller - Fringe Benefits ¹	GF - Cost	8,345	11,126
Department of Economic & Community Development	GF - Potential Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill results in a cost of \$36,901 (\$28,556 salary plus \$8,345 in benefits) in FY 13 and annual cost of \$49,203 (\$38,077 salary plus \$11,126 in benefits) thereafter to the Department of Economic and Community Development (DECD) for one part-time employee (AR-25) to administer a Targeted Health Area program and complete the reporting requirements outlined in the bill.

The bill also results in a potential cost by requiring the program to include three types of financial assistance for eligible businesses: a revolving loan fund, a hiring incentive component with deferrable or forgivable loans, and matching grants. The actual cost will be dependent upon the level of assistance approved by the DECD Commissioner.

The Out Years

¹ The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated non-pension fringe benefit cost associated with most personnel changes is 29.22% of payroll in FY 13 and FY 14.

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sSB 405*****AN ACT CONCERNING TARGETED HEALTH AREAS.*****SUMMARY:**

This bill establishes a program providing business loans and grants to licensed physicians and physician offices in 10 state-designated Targeted Health Areas (THAs), which the Department of Economic and Community Development (DECD) commissioner must designate based on the bill's criteria and in consultation with the parties the bill specifies.

The commissioner must also administer the loans and grants through a streamlined application process the bill specifies. She may require physicians and physician offices that have received a loan or grant to repay it plus a 5% penalty for relocating out of Connecticut within five years after receiving the assistance. (The period under current law for DECD's other programs is 10 years or the loan term, whichever is longer.)

The bill requires the commissioner to remove a THA designation after five years if a municipality no longer meets the designation criteria. It also requires her to submit biannual performance reports to specified legislative committees.

EFFECTIVE DATE: Upon passage, except for the provision on loans and grants, which is effective October 1, 2012.

§ 1(a) — DESIGNATING THAs

The bill requires the DECD commissioner to designate, within available appropriations, up to 10 municipalities as THAs, which are areas where doctors are eligible for business loans and grants. It requires her to do so on or after October 1, 2012, and in consultation

with the public health and social services commissioners and a representative of the Connecticut State Medical Society.

The DECD commissioner may designate a municipality as a THA if it has a medically underserved population or one with a high chronic disease rate. After designating a THA, the three commissioners and the state medical society representative must identify any medical specialty the THA needs.

§ 2 — FINANCIAL ASSISTANCE

Licensed physicians and physician offices qualify for financial assistance if they provide primary care services in a THA or any medical specialty the DECD commissioner determines it needs. The bill authorizes her to provide the following three types of financial assistance to these physicians and offices: revolving loans, licensed physician hiring incentives (i.e., deferrable or forgivable loans), and matching grants. Table 1 summarizes the applicant priority requirements, eligible expenditures, and terms and conditions for each type of assistance.

Table 1: Summary of THA Financial Assistance

Program Characteristic	Financial Assistance		
	Revolving Loans	Licensed Physician Hiring Loans	Matching Grants
Type of Assistance	Loans	Deferrable or forgivable loans for retaining newly hired physician for at least 12 months	Matching capital grants
Priority Applicants	Licensed physicians and physician offices providing primary care services or a medical specialty that best addresses the THA's health needs	Not applicable	DECD must prioritize grant applicants to best address the THA's health needs
Eligible Expenditures	<ul style="list-style-type: none"> • Acquiring medical equipment • Construction or leasehold improvements • Working capital • Other DECD-approved business expenses 	<ul style="list-style-type: none"> • Training • Marketing • Working capital • DECD-approved expenses supporting the hiring of licensed physicians 	<ul style="list-style-type: none"> • New or ongoing training • Working capital • Acquisition of medical equipment • Construction or leasehold improvements

			<ul style="list-style-type: none"> Other DECD-approved business expenses
Terms and Conditions	<ul style="list-style-type: none"> \$10,000-\$100,000 loans Up to 4% interest Maximum 10-year term Loan terms, conditions, and collateral requirements reviewed and approved to best address THA's health needs 	<ul style="list-style-type: none"> \$10,000-\$250,000 loans Loans deferred or forgiven if borrower retains newly hired physicians for at least 12 months Loan terms, conditions, and collateral requirements reviewed and approved to prioritize hiring licensed physicians that best meet THA's health needs 	<ul style="list-style-type: none"> \$10,000-\$100,000 grants Physician offices must match DECD grant

The commissioner may combine the THA loans and grants with financing and tax credits provided under other programs.

§ 2(a) — ELIGIBILITY

Under the bill, licensed physicians qualify for revolving loans and hiring incentive loans if they practice medicine in a THA and actively provide (1) primary care for adults and children or (2) any medical specialty the commissioner determines the THA needs. Physician offices also receive these loans and matching grants based largely on the same criteria and are also up-to-date on all state and local taxes.

§2(c) — APPLICATION PROCESS

The DECD commissioner, in consultation with the Connecticut State Medical Society, must establish and use a streamlined application process to provide THA assistance. She may provide the assistance within 30 days after a licensed physician or a physician office submits an approved application. The commissioner must give priority to those applicants providing primary care service or a needed medical specialty in a THA and do so in a way that best addresses its health needs.

§ 2(b) — CLAWBACK REQUIREMENT

By law, any business that receives economic development assistance must repay the assistance plus 5% of the amount if it relocates within 10 years of receiving the assistance or before the period for repaying the assistance, whichever is longer. The bill shortens the period to five years for a physician or physician office receiving THA assistance, if the commissioner chooses to impose the penalty.

§ 1(b) — REMOVING A DESIGNATION

Each THA designation is good for at least five years. Beginning October 1, 2017, the DECD commissioner must, in consultation with the public health and social services commissioners, annually determine if each THA-designated municipality still has a medically underserved population or one with a high chronic disease rate. She may remove the designation from any municipality after five years if it no longer meets these criteria.

§2(g) — REPORTING

Beginning no later than June 30, 2013, the commissioner must submit biannual THA performance reports to the Appropriations; Commerce; Public Health; Human Services; and Finance, Revenue and Bonding committees. The report must provide data on:

1. the number of THA-based licensed physicians and physician offices providing primary care or a needed medical specialty that applied for THA assistance,
2. the number of such physicians and offices that received assistance,
3. the amounts and types of assistance they received, and
4. the total number of licensed physicians at THA-based physician offices providing primary care services or a needed medical specialty when they applied for assistance and the total number they hired.

DECD must include this data in its annual report to the legislature.

BACKGROUND***Legislative History***

The Senate referred the bill (File 411) to the Finance, Revenue and Bonding Committee, which reported a substitute eliminating the original files \$10 million bond authorization.

COMMITTEE ACTION

Commerce Committee

Joint Favorable

Yea 13 Nay 4 (03/27/2012)

Public Health Committee

Joint Favorable

Yea 24 Nay 1 (04/24/2012)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 45 Nay 0 (05/03/2012)